

Message Text

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16

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

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FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 4521

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN EZE

AMBASSY THE HAGUE 1023

AMEMBASSY LODON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

C O N F I D E N T I A L LUXEMBOURG 0543

E.O. 11652: GDS

TAGS: EFIN, EC

SUBJ: EC FINANCE MINISTER'S MEETING - REFORM OF THE
INTERNATIONAL SYSTEM

REF: A) EC BRUSSELS 6332; B) EC BRUSSELS 6135

1. RAYMOND KIRSCH, DEPUTY TO MINISTER OF FINANCE VOUEL,
CONFIRMED REFTEL A REPORT OF JULY 10 FINANCE COUNCIL
MEETING TO ECON OFFICER, BUT SHOWED MORE OPTIMISM THAN
COMMISSION OFFICIALS WITH REGARD TO A COMMON EC POSI-
TION ON INTERNATIONAL MONETARY REFORM.

2. ACCORDING TO KIRSCH, MOST OF THE ITEMS OUTLINED IN
REF B WITH THE EXCEPTION OF THE PREFERRED EXCHANGE
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RATE SYSTEM, ARE CLOSE TO A SOLUTION. MOST MINISTERS

ACCEPTED THE FORMULA FOR THE SALE OF IMF GOLD OUTLINED
PARA 3 REFTEL B AND TO THE RULES FOR THE SALE OF GOLD
AMONG MONETARY AUTHORITIES. ON THE EXCHANGE RATE SYSTEM,
THE MONETARY COMMITTEE WAS INSTRUCTED TO DEVELOP A
COMPROMISE AT ITS AUGUST 11-12 MEETING IN ANTICIPATION
OF A FINANCE COUNCIL MEETING LATER IN AUGUST.
KIRSCH THINKS THE PROBLEM IS ONE OF RECONCILING THE
SHORT TERM CONCERNS OF THE GERMANS WITH THE LONG RANGE
AIMS OF THE FRENCH. HE SEES THE GERMANS AS PREOCCUPIED
WITH THE POTENTIAL COST OF DESTABILIZING SPECULATIVE
FLOWS SHOULD THE EXCHANGE SYSTEM MOVE TOO QUICKLY TO
MORE FIXED PARITIES. THE FRENCH, ON THE OTHER HAND,
REMAIN CONCERNED OVER THE FRANC'S LONG-TERM RELATION
TO THE DOLLAR WHICH THEY BELIEVE TO BE UNDERVALUED AT
PRESENT RATES. KIRSCH BELIEVES THAT THESE DIFFERENCES
REFLECT DIFFERING VIEWPOINTS AS TO TIMING AND PRACTICAL
MEASURES TO BE TAKEN RATHER THAN DIFFERENCES IN UNDER-
LYING MONETARY PHILOSOPHIES, AND THAT, IF THIS IS TRUE,
THE MONETARY COMMITTEE MAY BE ABLE TO MAKE SOME PROGRESS
IN RECONCILING THESE OPPOSING VIEWS.

3. KIRSCH ADDED THAT THE MINISTERS EXPRESSED SOME
INTEREST IN ACHIEVING A UNIFIED EC POSITION ON INTER-
NATIONAL MONETARY REFORM PRIOR TO THE SUMMIT MEETING
OF INDUSTRIAL NATIONS PROPOSED BY THE FRENCH. HE ASKED
TO BE KEPT INFORMED OF US INTENTIONS REGARDING THE FRENCH
INITIATIVE.

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